

Investor Daily, 11 September 2015

InvestorDaily

Long-term approach best for small-caps

Investors need to rethink their strategy when it comes to small-cap allocation, as many continue to miss long-term opportunities, says Investors Mutual Limited.

BY TAYLEE LEWIS

Friday, 11 September 2015



Investors Mutual Limited (IML) said small-caps provide diversification across a range of industries and generate substantial long-term returns.



However, “the chase for capital growth has made small-cap investing a short-term play for the majority which, evidence suggests, is an unsuccessful strategy,” said IML senior portfolio manager Simon Conn.



“By investing in small-caps on a long-term basis with a focus on quality companies that provide portfolio diversification, both the income and capital growth returns for investors are broadened.



“This is particularly important given the concentrated nature of the Australian market index, exacerbated by the subdued economic environment,” he said.

According to Mr Conn, the range of sectors available in the small-cap space is vast, providing investors with a variety of opportunities.

“These diverse stocks are often less researched, offering far more opportunity to find quality undervalued companies,” Mr Conn said.

Mr Conn added that investors need to seek companies with a competitive advantage, recurring and predictable earnings, and a capable management team that can grow such earnings over time.

“We have discovered a number of market leaders with these positive attributes within the small-cap sector, these companies just happen to operate in a smaller industry,” said Mr Conn.

<http://www.investordaily.com.au/markets/38167-long-term-approach-best-for-small-caps-impl>